



Homebuyer Pitfalls

- Hidden Liens
- Pro-rated Taxes
- Creative Financing
- Study the Neighborhood

Pitfalls of Buying a Home

Whether you surf the Internet or browse the evening paper, you will find many articles about dissatisfied homebuyers. Many believe they were misled by unscrupulous sellers, realtors, builders, or mortgage lenders. Because this financial investment is so large, the losses can be staggering!

Here are some home buying pitfalls we see in the Treasurer's office.

- **Hidden Liens:** Liens are an encumbrance on the title of your property and must be paid in order to maintain clear title. Examples of liens are mortgages, taxes, and other debts. Some liens are hidden even from title searchers and can cost you big bucks. Municipalities have the authority to certify unpaid delinquent sewer charges on the local property tax bill. They can certify charges incurred by the prior owner and can do so even after you buy the property. Since these charges are a lien on the land, you will be forced to pay in order to keep the property. When buying property in the City of Columbus, call (614)645-8270 to see if there are unpaid charges.
- **Pro-rated Taxes:** Since real estate taxes are billed one year in arrears under Ohio law, they are typically pro-rated to the date of sale based on an *estimate*. Unfortunately, the estimate can be wrong. It is based on the current taxes, which are likely to increase by the time the new owner is billed. Taxes can increase because the voters pass new levies, or because new construction is not yet reflected in the valuation of the property. This can be particularly disastrous if the entire value of a new home has not yet been incorporated into the land taxes. Consider having this protective language written into your sales agreement: "If the selling price exceeds the auditor's value by more than 10%, the taxes will be prorated based on the selling price."
- **Creative Financing:** Make sure that you understand your financing package. Buyers sometimes believe that their taxes and insurance will be included in their mortgage payment and, to their surprise and horror, find themselves several years later in foreclosure proceedings with a huge bill for unpaid real estate taxes, complete with penalties and interest. Some unscrupulous mortgage companies use different tricks to keep monthly mortgage payments artificially low. The interest-only financing package is one such trick, where the payments apply to interest only, and do not pay down the principal amount of the mortgage at all. Another trick is the balloon mortgage, which keeps monthly payments low for a period of time and then later inflates the monthly payment amount to levels that may be completely unaffordable for the buyer. As always, the key here is to know how much home you can afford and how much mortgage you

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- can afford. Do not allow yourself to be talked into paying more for a home than your budget allows, and do not allow yourself to be talked into a financing package that is unsustainable for you over time.
- **Study the Neighborhood:** This is particularly important if you intend to reside in the home you acquire. Is your home the nicest one on the street? Keep in mind that your property value can be adversely affected by nearby homes that are deteriorating around you. Does your neighborhood consist mostly of rental properties? Landlords seldom maintain their rental properties as nicely as they keep up the homes in which they actually live. Do you long for a peaceful, quiet neighborhood? Make sure to check out your prospective neighborhood after dark. The Crime Analysis division of the Columbus Police Department can provide crime statistics that are broken down by neighborhood. Call (614)645-4956 or visit their web site at www.columbuspolice.org. The Franklin County Sheriff also maintains a searchable database for registered sex offenders on his website at www.sheriff.franklin.oh.us.

